

CLASSIFICATION

CENTRAL INTELLIGENCE AGENCY

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## INFORMATION REPORT

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COUNTRY East Germany

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SUBJECT

Plans for the Improvement of State Trade of Pharmaceutical Products in 1954

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1. On the basis of available evidence, the unsold surplus supply of DHZ Pharmaceutical and Hospital Supplies (Pharmazie und Krankenhausbedarf) (DHZ PuK), a state-owned trade organization under the Ministry of Health monopolizing the sale of pharmaceutical products in East Germany, will amount to between 37.5 and 40 million DME by the end of 1953. This means an increase of the surplus stock by 12.5 to 15 million DME since the end of August 1953, at which time the surplus stock amounted to about 25 million DME. 1/ This increase is expected by the Planning Department of the Ministry for Health in spite of the fact that sales of pharmaceutical products have picked up in the second half year 1953.
2. Efforts on the part of DHZ PuK to reduce the volume of contracts for 1954 with enterprises producing pharmaceutical products were blocked by an order of the Minister for Health, issued on the strength of a decision of the State Planning Commission, which stipulated that DHZ must contractually buy the entire 1954 production of the enterprises. DHZ will, therefore, enter plan year 1954 with a substantial debt caused by its unsold 1953 surplus. For the following reasons this debt will be nominally about 11 million DME less than the 37.5 to 40 million DME expected by the end of 1953:
  - a. The excise duty (Akzise, Haushaltsaufschlag) on penicillin has been eliminated for the second half of 1953. As a result, the price of calcium salt penicillin was reduced from 14.50 to 7.50 DME per million international units and that of depot penicillin from 24.00 to 10.00 DME per million international units. About one million DME was "released" as a result this measure: DHZ will write off this amount from its unsold stock.
  - b. The number of days (Richttage) which define pharmaceutical products as surplus stock has been increased from 54 to 70.3/ This measure will reduce the value of unsold stock by about 10 million DME.

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The nominal reduction resulting from the two above-mentioned steps will still leave DME with an unsold surplus of about 26 to 29 million DME by the end of 1953.

3. The following measures are to be taken in order to improve the situation of DME in 1954, when it will have to dispose of the entire production of the enterprises producing pharmaceutical products as well as its unsold 1953 stock:

- a. Private pharmaceutical enterprises which originally were to produce 60 million DME worth of products in 1954 were cut down to a 1954 production of 25 million DME. The decrease of pharmaceutical production in 1954 which DME had lobbied for will thus be carried out entirely at the expense of private enterprises. The following production plan for people's owned pharmaceutical enterprises for 1954 was at the same time established:

- 1) Enterprises under Main Administration Pharmacy:  
65 million DME;
- 2) Enterprises under the State Secretariat for Chemistry:  
28 million DME;
- 3) Enterprises under the Ministry of Food Industry:  
8 million DME;
- 4) One enterprise under the Ministry for Agriculture and Forestry (VEB Serunwerk Dessau): 2.4 million DME;
- 5) Enterprises under local administration:  
13.2 million DME. <sup>1/</sup>

- b. Planned 1954 production of pharmaceutical products in two SAG enterprises has been reduced from 7.5 million DME in 1953 to 2.5 million DME. The two enterprises are Chemiewerk Walter Ulbricht, Leuna, and Stickstoffwerk Piesteritz. These two plants are expected to be transferred in 1954 to the Main Administration for Heavy Chemistry of the State Secretariat for Chemistry. The proposal advanced by the Sales Department of the Ministry for Health to discontinue entirely during the fourth quarter 1953 the production of Acetophan in the Piesteritz enterprise has not been completely approved; <sup>2/</sup> however, this production was cut for the fourth quarter of 1953 from the 18 metric tons originally planned to six metric tons. At present, DME has a store of about 30 metric tons of Acetophan, representing about three million DME.

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1/ Cf.

2/ Cf.

3/ Cf.

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- 4/ [REDACTED] Comment: The figures for planned 1954 production of the people's -owned enterprises do not include production of penicillin, streptomycin, insulin, sera and vaccines, pharmaceutical chemicals, surgical and disinfecting agents, local anesthetics, veterinary pharmaceuticals and bandages.

5/ Cf. [REDACTED]

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